



Hongkong Chinese Limited

香港華人有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 655)

Interim Report **08**



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The Directors of Hongkong Chinese Limited (the "Company") are pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the "Group") for the six months ended 30th June, 2008.

Condensed Consolidated Profit and Loss Account

		Unaudited	
		six months ended 30th June,	
		2008	2007
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
			<i>(restated)</i>
Revenue	3	71,270	161,076
Cost of sales		(17,254)	(32,317)
Gross profit		54,016	128,759
Administrative expenses		(54,596)	(53,107)
Other operating expenses		(17,605)	(29,628)
Fair value gains on investment properties		118,040	3,333
Gain on disposal of subsidiaries		7,417	101,956
Gain on disposal of associates		–	57,620
Gain on disposal of available-for-sale financial assets		–	724
Net fair value gain/(loss) on financial assets at fair value through profit or loss		(6,263)	23,295
Write-back of provision for impairment loss on an associate		18,000	–
Finance costs		(14,946)	(38,847)
Share of results of associates	4	16,198	494,276
Share of results of jointly controlled entities		(606)	(811)
Profit before tax	5	119,655	687,570
Tax	6	(17,237)	895
Profit for the period		102,418	688,465

Condensed Consolidated Profit and Loss Account (Continued)

		Unaudited	
		six months ended 30th June,	
	<i>Note</i>	2008	2007
		HK\$'000	<i>HK\$'000</i>
			<i>(restated)</i>
Attributable to:			
Equity holders of the Company	19	103,920	687,082
Minority interests	19	(1,502)	1,383
		102,418	688,465
		HK cents	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic	7	7.0	46.7
Diluted		N/A	N/A
		HK\$'000	<i>HK\$'000</i>
Interim distribution	8	31,819	23,570

Condensed Consolidated Balance Sheet

	Note	30th June, 2008 HK\$'000 (Unaudited)	31st December, 2007 HK\$'000 (Audited)
Non-current assets			
Goodwill		71,485	71,485
Fixed assets		126,074	44,810
Investment properties		540,206	524,709
Properties under development		80,640	137,766
Interests in associates	4	3,692,673	3,433,610
Interests in jointly controlled entities		265,107	183,964
Available-for-sale financial assets	9	115,606	126,958
Held-to-maturity financial assets	10	9,553	9,572
Loans and advances	11	38,353	27,884
		4,939,697	4,560,758
Current assets			
Properties held for sale		9,751	9,751
Properties under development		67,023	47,725
Available-for-sale financial assets	9	–	2,454
Financial assets at fair value through profit or loss	12	332,916	398,808
Loans and advances	11	204,702	237,332
Debtors, prepayments and deposits	13	156,704	171,176
Client trust bank balances		612,522	730,995
Treasury bills		18,430	34,920
Cash and bank balances	14	977,140	399,663
		2,379,188	2,032,824
Current liabilities			
Bank and other borrowings	15	704,583	587,934
Creditors, accruals and deposits received	16	981,515	877,370
Current, fixed, savings and other deposits of customers	17	140,197	165,223
Tax payable		8,656	11,036
		1,834,951	1,641,563
Net current assets		544,237	391,261
Total assets less current liabilities		5,483,934	4,952,019

Condensed Consolidated Balance Sheet (Continued)

	Note	30th June, 2008 HK\$'000 (Unaudited)	31st December, 2007 HK\$'000 (Audited)
Non-current liabilities			
Bank and other borrowings	15	12,512	225,705
Deferred tax liabilities		35,407	28,911
		47,919	254,616
Net assets			
		5,436,015	4,697,403
Equity			
Equity attributable to equity holders of the Company			
Share capital	18	1,818,219	1,346,829
Reserves	19	3,587,425	3,338,496
		5,405,644	4,685,325
Minority interests	19	30,371	12,078
		5,436,015	4,697,403

Condensed Consolidated Summary Statement of Changes in Equity

	Note	Unaudited six months ended 30th June,	
		2008 HK\$'000	2007 HK\$'000
Total equity at 1st January		4,697,403	3,291,689
Changes in equity during the period:			
Exchange differences on translation of foreign operations		39,130	7,270
Net fair value gain/(loss) on available-for-sale financial assets		(6,702)	10,348
Deferred tax arising from fair value loss/(gain) on available-for-sale financial assets	19	1,637	(353)
Derecognition of available-for-sale financial assets	19	(261)	(1,204)
Release of reserve in respect of deconsolidation of subsidiaries	19	(1,252)	–
Release of reserves in respect of disposal of subsidiaries	19	–	(11,563)
Share of reserves of associates and jointly controlled entities	19	186,672	34,867
Net income recognised directly in equity		219,224	39,365
Profit for the period		102,418	688,465
Total recognised income and expense for the period		321,642	727,830
Rights issue		464,428	–
Advances from minority shareholders of subsidiaries	19	16,662	64,081
Changes in interests in subsidiaries	19	3,493	–
Deconsolidation of subsidiaries	19	(272)	–
Disposal of subsidiaries	19	–	(130,786)
2006 final distribution, declared	19	–	(67,341)
2007 final distribution, declared	19	(67,341)	–
		738,612	593,784
Total equity at 30th June		5,436,015	3,885,473
Total recognised income and expense for the period attributable to:			
Equity holders of the Company		323,232	725,976
Minority interests		(1,590)	1,854
		321,642	727,830

Condensed Consolidated Cash Flow Statement

	<i>Note</i>	Unaudited	
		2008	2007
		HK\$'000	HK\$'000
Net cash from/(used in) operating activities		30,959	(737,554)
Net cash from/(used in) investing activities		(26,377)	432,163
Net cash from financing activities		375,886	105,761
Net increase/(decrease) in cash and cash equivalents		380,468	(199,630)
Cash and cash equivalents at 1st January		434,583	558,457
Exchange realignments		(452)	4,621
Cash and cash equivalents at 30th June	<i>20</i>	814,599	363,448

Notes to the Interim Financial Statements

1. Principal Accounting Policies

The interim financial statements are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31st December, 2007, except that in the current period, the Group has changed the presentation of revenue and has adopted certain new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new/revised HKFRSs”) as detailed in Note (a) and (b) below:

(a) *Change in the presentation of revenue*

In prior years, revenue included the proceeds from sales of securities investment, while the related costs of sales of securities investment were presented as “cost of sales”.

In the current period, the Group has revised the presentation of revenue in order to provide more relevant information in respect of the Group’s operations and to conform with market practices. The proceeds from sales of securities investment are offset against the cost of sales of securities investment and are presented as gain/(loss) on sales of securities investment in the consolidated profit and loss account within revenue.

The effects of the change in the presentation of revenue have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	Six months ended 30th June,	
	2008	2007
	HK\$’000	HK\$’000
Decrease in revenue	(117,429)	(547,544)
Decrease in cost of sales	117,429	547,544

The change does not have any impact on the results of the Group in respect of current period and prior year.

(b) *New/revised HKFRSs*

The following new/revised HKFRSs are adopted for the first time for the current period’s financial statements, which have become effective for accounting periods beginning on or after 1st January, 2008:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new/revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

Notes to the Interim Financial Statements (Continued)

2. Segment Information

Segment information is presented by way of business segment as the primary segment reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. Descriptions of the business segments are as follows:

- (a) the property investment and development segment includes letting, resale and development of properties;
- (b) the treasury investment segment includes investments in cash and bond markets;
- (c) the securities investment segment includes dealings in securities and disposals of investments;
- (d) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (e) the banking business segment engages in the provision of commercial and retail banking services;
- (f) the project management segment engages in the provision of project management, marketing, sales administrative and other related services; and
- (g) the "other" segment comprises principally the development of computer hardware and software, money lending and the provision of fund management and investment advisory services.

An analysis of the Group's segment information by business segment is set out as follows:

	Six months ended 30th June, 2008								
	Property investment and development HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking business HK\$'000	Project management HK\$'000	Other HK\$'000	Inter-segment elimination HK\$'000	Consolidated HK\$'000
Revenue									
External	4,419	2,896	(5,614)	41,235	9,498	8,475	10,361	-	71,270
Inter-segment	-	-	-	11	-	7,282	871	(8,164)	-
Total	4,419	2,896	(5,614)	41,246	9,498	15,757	11,232	(8,164)	71,270
Segment results	121,929	2,662	(19,646)	10,714	1,584	7,931	23,546	(7,721)	140,999
	<i>(Note)</i>								
Unallocated corporate expenses									(24,122)
Finance costs									(12,814)
Share of results of associates	13,160	-	-	-	-	-	3,038	-	16,198
Share of results of jointly controlled entities	(78)	-	-	-	-	-	(528)	-	(606)
Profit before tax									119,655
Tax									(17,237)
Profit for the period									102,418

Notes to the Interim Financial Statements (Continued)

2. Segment Information (Continued)

An analysis of the Group's segment information by business segment is set out as follows: (Continued)

	Six months ended 30th June, 2007 (restated)								
	Property investment and development	Treasury investment	Securities investment	Corporate finance and securities broking	Banking business	Project management	Other	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue									
External	19,765	4,284	5,390	67,424	15,388	39,770	9,055	-	161,076
Inter-segment	-	15	-	164	-	167	715	(1,061)	-
Total	19,765	4,299	5,390	67,588	15,388	39,937	9,770	(1,061)	161,076
Segment results	114,050	4,152	28,723	13,180	4,157	34,026	59,239	(618)	256,909
Unallocated corporate expenses									(35,152)
Finance costs									(27,652)
Share of results of associates	490,547	-	-	-	-	-	3,729	-	494,276
Share of results of jointly controlled entities	(49)	-	-	-	-	-	(762)	-	(811)
Profit before tax									687,570
Tax									895
Profit for the period									688,465

Note: The amount included fair value gains on investment properties of HK\$118,040,000.

3. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income, gross income on treasury investment which includes interest income on bank deposits and debt securities, income from securities investment which includes gain/(loss) on sales of securities investments, dividend income and related interest income, gross income from underwriting and securities broking, gross income from project management, gross interest income, commissions, dealing income and other revenues from a banking subsidiary, and interest and other income from money lending and other businesses, after eliminations of all significant intra-group transactions.

Notes to the Interim Financial Statements (Continued)

3. Revenue (Continued)

An analysis of the revenue of the Group by principal activity is as follows:

	Six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000 (restated)
Property investment and development	4,419	19,765
Treasury investment	2,896	4,284
Securities investment	(5,614)	5,390
Corporate finance and securities broking	41,235	67,424
Banking business	9,498	15,388
Project management	8,475	39,770
Other	10,361	9,055
	71,270	161,076

Revenue attributable to banking business represents revenue generated from The Macau Chinese Bank Limited, a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China. Revenue attributable to banking business is analysed as follows:

	Six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Interest income	6,040	12,428
Commission income	2,823	2,132
Other revenues	635	828
	9,498	15,388

4. Share of Results of Associates/Interests in Associates

Share of results of associates included the Group's share of profit in Lippo ASM Asia Property LP ("LAAP"), a property fund which has participated in a joint venture to invest in Overseas Union Enterprise Limited ("OUE"), a listed company in Republic of Singapore principally engaged in property investment and development and hotel operations, of approximately HK\$12,975,000 (2007 – HK\$490,824,000). Amount in 2007 was mainly derived from the revaluation gain on the various investment properties held under LAAP. No such revaluation was carried out by OUE during the period.

Interest in associates included the Group's interest in LAAP of approximately HK\$3,334,507,000 (31st December, 2007 – HK\$3,114,963,000).

Notes to the Interim Financial Statements (Continued)

5. Profit before Tax

Profit before tax is arrived at after crediting/(charging):

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Interest income:		
Listed financial assets at fair value through profit or loss	543	393
Unlisted financial assets at fair value through profit or loss	1,310	324
Listed held-to-maturity financial assets	427	428
Loan and receivables	1,685	575
Banking operation	6,040	12,428
Other	2,896	4,284
Dividend income:		
Listed investments	381	136
Unlisted investments	1,128	4,212
Gain/(Loss) on disposal of:		
Listed financial assets at fair value through profit or loss	(9,274)	(130)
Unlisted financial assets at fair value through profit or loss	(255)	27
Unlisted available-for-sale financial assets	126	724
Net fair value gain/(loss) on financial assets at fair value through profit or loss:		
Listed	(11,524)	11,233
Unlisted	5,261	12,062
Depreciation	(3,224)	(3,861)

6. Tax

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong:		
Underprovision in prior periods	918	–
Deferred	70	578
	988	578
Overseas:		
Charge for the period	2,011	1,943
Underprovision/(Overprovision) in prior periods	258	(36)
Deferred	13,980	(3,380)
	16,249	(1,473)
Total charge/(credit) for the period	17,237	(895)

Hong Kong profits tax has been provided for at the rate of 16.5 per cent. (2007 – 17.5 per cent.) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profits for the period at the tax rates prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Earnings Per Share Attributable to Equity Holders of the Company

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the period attributable to equity holders of the Company of HK\$103,920,000 (2007 – HK\$687,082,000); and (ii) the weighted average number of 1,479,964,000 ordinary shares (2007 – 1,472,362,000 ordinary shares after adjusting for the rights issue which has completed in June 2008) in issue during the period.

(b) Diluted earnings per share

No diluted earnings per share is presented for the period ended 30th June, 2008 as the share options and warrants outstanding during the period had no dilutive effect on the basic earnings per share for the period.

No diluted earnings per share is presented for the period ended 30th June, 2007 as there were no dilutive potential ordinary shares during the period.

8. Interim Distribution

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Interim distribution, declared, of HK1.75 cents (2007 – HK1.75 cents) per ordinary share	31,819	23,570

The interim distribution was declared after the balance sheet date and hence was not accrued on that date.

9. Available-for-sale Financial Assets

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Financial assets stated at fair value:		
Unlisted investment funds	107,691	119,967
Financial assets stated at cost:		
Unlisted equity securities	89,447	79,602
Unlisted debt securities	3,165	12,118
Provision for impairment losses	(84,697)	(82,275)
	7,915	9,445
	115,606	129,412
Less: Amount classified under current portion	–	(2,454)
Non-current portion	115,606	126,958

Notes to the Interim Financial Statements (Continued)

9. Available-for-sale Financial Assets (Continued)

As at balance sheet date, the debt securities are interest-free. As at 31st December, 2007, the debt securities had effective interest rates ranging from nil to 8.0 per cent. per annum.

An analysis of the issuers of available-for-sale financial assets is as follows:

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Equity securities:		
Corporate entities	89,447	79,602
Debt securities:		
Club debenture	3,165	3,165
Corporate entities	–	8,953
	3,165	12,118

10. Held-to-maturity Financial Assets

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Debt securities, at amortised cost:		
Listed overseas	9,553	9,572
Market value of listed debt securities	9,732	10,555

The debt securities have effective interest rates of 9.0 per cent. (31st December, 2007 – 9.0 per cent.) per annum.

An analysis of the issuers of held-to-maturity financial assets is as follows:

Banks and other financial institutions	9,553	9,572
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11. Loans and Advances

The balance mainly comprised of loans and advances to customers of the Group in respect of securities broking and banking operation businesses of HK\$227,996,000 (31st December, 2007 – HK\$250,183,000).

The loans and advances to customers of the Group have effective interest rates ranging from 3.3 per cent. to 9.0 per cent. (31st December, 2007 – 6.0 per cent. to 18.0 per cent.) per annum. The carrying amounts of loans and advances are approximate to their fair values.

As at the balance sheet date, the overdue or impaired balances are related to banking operation. Movements of allowance for bad and doubtful debts during the period are as follows:

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Balance at beginning of period	2,868	2,996
Allowance for bad and doubtful debts	–	326
Balance at end of period	2,868	3,322

Except for the above, the remaining balances are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default.

12. Financial Assets at Fair Value through Profit or Loss

	30th June,	31st December,
	2008	2007
	HK\$'000	HK\$'000
Held for trading:		
Equity securities:		
Listed in Hong Kong	21,256	66,080
Listed overseas	5,167	7,297
	26,423	73,377
Debt securities:		
Listed overseas	17,436	8,733
Investment funds:		
Listed overseas	–	31,498
Unlisted	273,498	278,901
	273,498	310,399
Other:		
Unlisted	15,559	6,299
	332,916	398,808

The debt securities have effective interest rates ranging from 6.5 per cent. to 8.2 per cent. (31st December, 2007 – 6.5 per cent. to 8.0 per cent.) per annum.

Notes to the Interim Financial Statements (Continued)

12. Financial Assets at Fair Value through Profit or Loss (Continued)

An analysis of the issuers of financial assets at fair value through profit or loss is as follows:

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Equity securities:		
Banks and other financial institutions	–	7,270
Corporate entities	26,423	66,107
	26,423	73,377
Debt securities:		
Banks and other financial institutions	9,179	–
Corporate entities	8,257	8,733
	17,436	8,733

13. Debtors, Prepayments and Deposits

Included in the balances are trade debtors with an aged analysis as follows:

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Repayable on demand	37,333	44,416
Within 30 days	32,070	36,660
Between 31 and 60 days	–	272
Between 61 and 90 days	6	53
	69,409	81,401

Trading terms with customers are either on a cash basis or credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

As at balance sheet date, receivables are neither overdue nor impaired and are related to a range of customers for whom there are no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

The balance mainly comprised of receivables from customers and securities brokers of the Group in respect of securities broking business of HK\$68,744,000 (31st December, 2007 – HK\$79,774,000). Except for receivables from certain securities brokers which are interest-bearing, the balances of trade debtors are non-interest-bearing. The carrying amounts of debtors and deposits are approximate to their fair values.

14. Cash and Bank Balances

The balance included amount received from over-subscription of the rights issue of the Company, details of which are set out in Note 18 to the interim financial statements, of HK\$180,971,000 (31st December, 2007 – Nil) which was refunded to the applicants in July 2008.

Notes to the Interim Financial Statements (Continued)

15. Bank and Other Borrowings

	30th June, 2008 HK\$'000	31st December, 2007 HK\$'000
Bank loans:		
Secured (Note (a))	200,263	265,914
Unsecured	12,512	21,747
	212,775	287,661
Other borrowings:		
Unsecured (Note (b))	504,320	525,978
	717,095	813,639
Less: Amount classified under current portion	(704,583)	(587,934)
	12,512	225,705
Bank and other borrowings by currency:		
Hong Kong dollar	342,344	433,958
United States dollar	362,239	367,934
Renminbi	12,512	11,747
	717,095	813,639
Bank loans repayable:		
Within one year	200,263	275,914
In the second year	12,512	11,747
	212,775	287,661
Other borrowings repayable:		
Within one year	504,320	312,020
In the second year	–	213,958
	504,320	525,978

The carrying amounts of the Group's bank and other borrowings are approximate to their fair values and bear interest at floating rates ranging from 3.0 per cent. to 7.5 per cent. (31st December, 2007 – 4.2 per cent. to 7.5 per cent.) per annum.

Note:

- (a) The bank loans as at 30th June, 2008 were secured by first legal mortgages over certain investment properties and certain securities of the Group with carrying amounts of HK\$490,000,000 (31st December, 2007 – HK\$475,500,000) and HK\$50,263,000 (31st December, 2007 – HK\$55,914,000) respectively.
- (b) The Group's other borrowings as at 30th June, 2008 comprised of unsecured loans advanced from Lippo Limited ("Lippo"), an intermediate holding company of the Company, and a third party, of HK\$192,344,000 (31st December, 2007 – HK\$213,958,000) and HK\$311,976,000 (31st December, 2007 – HK\$312,020,000) respectively. The loan advanced from Lippo is repayable on or before 30th June, 2009. The loan advanced from third party was renewed for one additional year on terms mutually agreed with the lender and is repayable on or before 26th June, 2009.

16. Creditors, Accruals and Deposits Received

Included in the balances are trade creditors with an aged analysis as follows:

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Repayable on demand	642,776	767,208
Within 30 days	44,268	45,641
	687,044	812,849

The outstanding balances that are repayable on demand include client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business. As at 30th June, 2008, total client trust bank balances amounted to HK\$612,522,000 (31st December, 2007 – HK\$730,995,000).

Except for certain client payables relating to cash balances held on trust for the customers in respect of the Group's securities broking business are interest-bearing, the balances of trade creditors are non-interest-bearing.

17. Current, Fixed, Savings and Other Deposits of Customers

The current, fixed, savings and other deposits of customers attributable to banking operation have effective interest rates ranging from 0.01 per cent. to 3.9 per cent. (31st December, 2007 – 1.2 per cent. to 5.3 per cent.) per annum.

18. Share Capital

Shares

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Authorised:		
4,000,000,000 (31st December, 2007 – 2,000,000,000) ordinary shares of HK\$1.00 each	4,000,000	2,000,000
Issued and fully paid:		
1,818,219,272 (31st December, 2007 – 1,346,829,094) ordinary shares of HK\$1.00 each	1,818,219	1,346,829

During the period, the movements in share capital were as follows:

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company on 5th June, 2008, the authorised share capital of the Company was increased from HK\$2,000,000,000 to HK\$4,000,000,000 by the addition of 2,000,000,000 shares of HK\$1.00 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) A rights issue of new shares of the Company in the proportion of seven rights shares for every twenty shares held on 5th June, 2008 (the "Rights Issue") was made at an issue price of HK\$1.00 per rights share, resulting in the issue of 471,390,178 shares of HK\$1.00 each on 27th June, 2008 for a total cash consideration, before expenses, of approximately HK\$471,390,000.

18. Share Capital (Continued)**Shares (Continued)**

A summary of the transaction during the period with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1st January, 2008	1,346,829,094	1,346,829	50,988	1,397,817
Rights Issue (b)	471,390,178	471,390	–	471,390
	1,818,219,272	1,818,219	50,988	1,869,207
Share issue expenses (Note)	–	–	(7,462)	(7,462)
At 30th June, 2008	1,818,219,272	1,818,219	43,526	1,861,745

Note: The share issue expenses included underwriting fee of HK\$500,000 paid to Lippo Securities Limited, a wholly-owned subsidiary of the Company.

Share options

Pursuant to the new share option scheme of the Company (the "Share Option Scheme") adopted and approved by the shareholders of the Company, Lippo, an intermediate holding company of the Company, and Lippo China Resources Limited, a then intermediate holding company of the Company, on 7th June, 2007 (the "Adoption Date"), the board of the Directors of the Company (the "Board") may, at its discretion, offer to grant to any eligible employee (including directors, officers and/or employees of the Group or any member of it); or any consultant, adviser, supplier, customer or subcontractor of the Group or any member of it; or any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business (together the "Eligible Person") an option to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. Under the rules of the Share Option Scheme, no further options shall be granted on and after the tenth anniversary of the Adoption Date. The options can be exercised at any time during the period commencing on the date of grant and ending on the date of expiry which date shall not be later than the day last preceding the tenth anniversary of the date of grant. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an option. No grantee of option is required to pay for the grant of the relevant option.

18. Share Capital (Continued)**Share options (Continued)**

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes must not exceed 30 per cent. of the issued shares of the Company from time to time. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not (when aggregated with any shares subject to options granted after the Adoption Date pursuant to any other share option scheme(s) of the Company) exceed 10 per cent. of the issued share capital of the Company on the Adoption Date (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be renewed with prior approval of the shareholders of the Company. The total number of shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme to any single Eligible Person, whether or not already a grantee, in any 12-month period shall be subject to a limit that it shall not exceed one per cent. of the issued shares of the Company at the relevant time. The exercise price for the shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of the closing price of the shares of the Company on the date of grant of the option or the average closing price of the shares of the Company for the five trading days immediately preceding the date of grant of the option, as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited; or the nominal value of the shares of the Company on the date of grant of the option.

As at 1st January, 2008, there were outstanding options granted under the Share Option Scheme without consideration to Eligible Persons including, inter alia, certain Directors of the Company and employees of the Group to subscribe for a total of 13,468,000 ordinary shares of HK\$1.00 each in the Company (the "Option Shares") at an initial exercise price of HK\$1.68 per share (subject to adjustment). Due to the Rights Issue, adjustments were made to the number of Option Shares and the exercise price, which was adjusted to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008. The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012.

The movements in Option Shares granted under the Share Option Scheme during the period are summarised as follows:

Participants	Date of grant	Adjusted exercise price per share* HK\$	Number of Option Shares		
			Balance as at 1st January, 2008	Adjustment during the period*	Balance as at 30th June, 2008
Directors:					
John Lee Luen Wai	17th December, 2007	1.24	3,400,000	1,190,000	4,590,000
Leon Chan Nim Leung	17th December, 2007	1.24	600,000	210,000	810,000
Kor Kee Yee	17th December, 2007	1.24	450,000	157,500	607,500
Albert Saychuan Cheok	17th December, 2007	1.24	450,000	157,500	607,500
Victor Yung Ha Kuk	17th December, 2007	1.24	450,000	157,500	607,500
Tsui King Fai	17th December, 2007	1.24	450,000	157,500	607,500
Employees (Note)	17th December, 2007	1.24	5,568,000	1,948,800	7,516,800
Others	17th December, 2007	1.24	2,100,000	735,000	2,835,000
Total			13,468,000	4,713,800	18,181,800

* adjustments due to the Rights Issue

Note: Employees refer to the employees of the Group as at 30th June, 2008 working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company.

18. Share Capital (Continued)

Share options (Continued)

The exercise price of the Option Shares and exercise period of the options outstanding as at 30th June, 2008 are as follows:

Number of Option Shares	Exercise price per share (Note) HK\$	Exercise period
18,181,800	1.24	17th June, 2008 to 16th December, 2012

Note: The exercise price of the Option Shares is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital. Pursuant to the Rights Issue, the exercise price of the Option Shares was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008.

Save for the above adjustments due to the Rights Issue, no option of the Company was granted, exercised, cancelled or lapsed during the period.

Warrants

During the period, a bonus issue of warrants of the Company (the "Warrants") was made on the basis of three Warrants for every seven rights shares taken up pursuant to the Rights Issue, resulting in the issue of 202,024,362 units of Warrants with an aggregate subscription value of approximately HK\$252,530,000 on 27th June, 2008. Each Warrant entitles the holder thereof to subscribe in cash for one ordinary share of HK\$1.00 in the Company at a subscription price of HK\$1.25 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive). No Warrant was exercised during the period.

Notes to the Interim Financial Statements (Continued)

19. Reserves

	Share premium account	Share option reserve	Capital redemption reserve (Note (c))	Legal reserve (Note (d))	Regulatory reserve (Note (e))	Investment revaluation reserve	Distributable reserves (Note (b))	Exchange equalisation reserve	Total	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2008	50,988	6,800	11,760	5,370	891	133,747	2,853,980	274,960	3,338,496	12,078
Rights issue	(6,962)	-	-	-	-	-	-	-	(6,962)	-
Net fair value loss on available-for-sale financial assets	-	-	-	-	-	(6,702)	-	-	(6,702)	-
Deferred tax arising from fair value loss on available-for-sale financial assets	-	-	-	-	-	1,637	-	-	1,637	-
Derecognition of available-for-sale financial assets	-	-	-	-	-	(261)	-	-	(261)	-
Share of reserves of associates and jointly controlled entities	-	-	-	-	-	5,574	-	181,098	186,672	-
Transfer of reserve	-	-	-	1,426	-	-	(1,426)	-	-	-
Exchange realignment	-	-	-	-	-	-	-	39,218	39,218	(88)
Advances from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	16,662
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	3,493
Deconsolidation of subsidiaries	-	-	-	-	-	-	-	(1,252)	(1,252)	(272)
Profit for the period	-	-	-	-	-	-	103,920	-	103,920	(1,502)
2007 final distribution, declared	-	-	-	-	-	-	(67,341)	-	(67,341)	-
At 30th June, 2008	44,026	6,800	11,760	6,796	891	133,995	2,889,133	494,024	3,587,425	30,371
At 1st January, 2007	50,988	-	11,760	3,960	1,264	36,960	1,678,657	61,986	1,845,575	99,285
Net fair value gain on available-for-sale financial assets	-	-	-	-	-	10,290	-	-	10,290	58
Deferred tax arising from fair value gain on available-for-sale financial assets	-	-	-	-	-	(353)	-	-	(353)	-
Derecognition of available-for-sale financial assets	-	-	-	-	-	(1,204)	-	-	(1,204)	-
Share of reserves of associates and jointly controlled entities	-	-	-	-	-	22,569	-	12,298	34,867	-
Transfer of reserve	-	-	-	1,410	-	-	(1,410)	-	-	-
Exchange realignment	-	-	-	-	-	-	-	6,857	6,857	413
Advances from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	64,081
Disposal of subsidiaries	-	-	-	-	-	-	-	(11,563)	(11,563)	(130,786)
Profit for the period	-	-	-	-	-	-	687,082	-	687,082	1,383
2006 final distribution, declared	-	-	-	-	-	-	(67,341)	-	(67,341)	-
At 30th June, 2007	50,988	-	11,760	5,370	1,264	68,262	2,296,988	69,578	2,504,210	34,434

19. Reserves (Continued)

Note:

- (a) Cancellation of share premium account and transfer to distributable reserves:

Pursuant to a special resolution passed at a special general meeting of the Company on 2nd December, 1997, the entire amount standing to the credit of the share premium account of HK\$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.

- (b) Distributable reserves of the Group at 30th June, 2008 comprise retained profits of HK\$1,801,327,000 (31st December, 2007 – HK\$1,698,833,000) and the remaining balance arising from the Cancellation of HK\$1,087,806,000 (31st December, 2007 – HK\$1,155,147,000).
- (c) The capital redemption reserve is not available for distribution to shareholders.
- (d) The legal reserve represents the part of reserve generated by a banking subsidiary of the Company which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which the subsidiary operates.
- (e) The regulatory reserve represents the part of reserve generated by a banking subsidiary of the Company arising from the difference between the impairment allowance made under HKAS 39 and for regulatory purpose.

20. Notes to the Condensed Consolidated Cash Flow Statement

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	977,140	354,741
Treasury bills	18,430	13,580
Bank overdrafts	–	(4,873)
	995,570	363,448
Less: Restricted cash and bank balances (Note 14)	(180,971)	–
	814,599	363,448

21. Contingent Liabilities

At the balance sheet date, the Group had the following contingent liabilities relating to its banking subsidiary:

	30th June,	31st December,
	2008	2007
	HK\$'000	HK\$'000
Guarantees and other endorsements	19,184	17,881
Liabilities under letters of credit on behalf of customers	5,377	9,597
	24,561	27,478

22. Capital Commitments

The Group had the following commitments at the balance sheet date:

	30th June, 2008	31st December, 2007
	HK\$'000	HK\$'000
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	56,657	41,358
Other capital commitments:		
Contracted, but not provided for (Note)	79,761	382,888
	136,418	424,246

Note: The balance included the Group's capital commitments in respect of the formation of joint ventures for certain property projects in Republic of Singapore (31st December, 2007 – Republic of Singapore and the People's Republic of China) of approximately HK\$74 million (31st December, 2007 – HK\$371 million).

23. Related Party Transactions

- (a) During the period, Lippo Securities Holdings Limited ("LSHL"), being a wholly-owned subsidiary of the Company, paid rental expenses of HK\$2,311,000 (2007 – HK\$2,245,000) to Prime Power Investment Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by LSHL. The rental was determined by reference to open market rentals.
- (b) During the period, the Company paid rental expenses of HK\$981,000 (2007 – HK\$981,000) to Porbandar Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to open market rentals.
- (c) During the period, ImPac Asset Management (HK) Limited, being a wholly-owned subsidiary of the Company, received investment advisory income from Lippo ASM Investment Management Limited, being an associate of the Group, amounting to HK\$5,649,000 (2007 – HK\$5,649,000).
- (d) During the period, the Company paid finance costs to Lippo of HK\$5,162,000 (2007 – HK\$3,025,000), in respect of the loan advanced to the Company.
- (e) During the period, Lippo Realty (Singapore) Pte. Limited, being a wholly-owned subsidiary of the Company, received project management income of HK\$14,216,000 (2007 – Nil) and HK\$348,000 (2007 – Nil) from associates and jointly controlled entities of the Group respectively.
- (f) As at 30th June, 2008, the Group had amounts due from associates in a total of HK\$492,130,000 (31st December, 2007 – HK\$445,002,000) and amounts due from jointly controlled entities in a total of HK\$200,413,000 (31st December, 2007 – HK\$158,695,000). The balances with the associates are unsecured, interest-free and have no fixed terms of repayment. The balance with the jointly controlled entities included a loan of HK\$4,000,000 (31st December, 2007 – HK\$4,000,000), which is secured by certain shares of a jointly controlled entity, bears interest at United States dollar prime rate plus 2 per cent. per annum and has no fixed terms of repayment. The remaining balances with the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances are approximate to their fair values.

24. Financial Risk Management Objectives and Policies

The Group had established policies and procedures for risk management which were reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times. The risk management function was carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Executive Directors of the Group and they are summarised as follows:

(a) *Credit risk*

Credit risk arose from the possibility that the counterparty in a transaction may default. It arose from lending, treasury, investment and other activities undertaken by the Group.

The credit policies for banking and margin lending businesses set out in details the credit approval and monitoring mechanism, the loan classification criteria and provision policy. Credit approval was conducted in accordance with the credit policies, taking into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Day-to-day credit management was performed by management of individual business units.

The Group had established guidelines to ensure that all new debt investments were properly made, taking into account a number of factors, including but not limiting to, the credit rating requirements, the maximum exposure limit to a single corporate or issuer; etc. All relevant departments within the Group were involved to ensure that appropriate processes, systems and controls were set in place before and after the investments were acquired.

(b) *Liquidity risk*

The Group managed the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations met with the statutory requirement on minimum liquidity ratio whenever applicable.

Management comprising Executive Directors and senior managers monitored the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fell due and to make the most efficient use of the Group's financial resources.

24. Financial Risk Management Objectives and Policies (Continued)*(b) Liquidity risk (Continued)*

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30th June, 2008							
Assets							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,553	-	9,553
Available-for-sale financial assets	-	-	-	-	-	3,165	3,165
Financial assets at fair value through profit or loss	-	-	-	-	833	16,603	17,436
Loans and advances	136,993	50,556	17,153	16,356	21,997	-	243,055
Debtors and deposits	47,762	35,690	351	-	-	67,980	151,783
Client trust bank balances	66,794	545,728	-	-	-	-	612,522
Treasury bills	-	18,430	-	-	-	-	18,430
Cash and bank balances	101,973	875,167	-	-	-	-	977,140
	353,522	1,525,571	17,504	16,356	32,383	87,748	2,033,084
Liabilities							
Bank and other borrowings	-	50,263	654,320	12,512	-	-	717,095
Creditors, accruals and deposit received	643,585	280,794	19,134	1,613	-	36,389	981,515
Current, fixed, savings and other deposits of customers	62,116	72,686	5,395	-	-	-	140,197
	705,701	403,743	678,849	14,125	-	36,389	1,838,807

Notes to the Interim Financial Statements (Continued)

24. Financial Risk Management Objectives and Policies (Continued)

(b) Liquidity risk (Continued)

An analysis of the maturity profile of assets and liabilities of the Group analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows: (Continued)

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st December, 2007							
Assets							
Debt securities:							
Held-to-maturity financial assets	-	-	-	-	9,572	-	9,572
Available-for-sale financial assets	-	-	8,953	-	-	3,165	12,118
Financial assets at fair value through profit or loss	-	-	-	-	880	7,853	8,733
Loans and advances	176,821	43,540	16,971	13,134	14,750	-	265,216
Debtors and deposits	46,864	38,743	1,637	-	-	81,280	168,524
Client trust bank balances	92,151	638,844	-	-	-	-	730,995
Treasury bills	-	34,920	-	-	-	-	34,920
Cash and bank balances	174,248	225,415	-	-	-	-	399,663
	490,084	981,462	27,561	13,134	25,202	92,298	1,629,741
Liabilities							
Bank and other borrowings	-	275,914	312,020	225,705	-	-	813,639
Creditors, accruals and deposit received	767,560	63,059	10,568	1,311	-	34,872	877,370
Current, fixed, savings and other deposits of customers	142,299	18,121	4,803	-	-	-	165,223
	909,859	357,094	327,391	227,016	-	34,872	1,856,232

(c) Interest rate risk

Interest rate risk primarily resulted from timing differences in the repricing of interest bearing assets, liabilities and commitments. The Group's interest rate positions arose mainly from treasury, banking and other investment activities undertaken.

The Group monitors its interest-sensitive products and investments and net repricing gap and limits interest rate exposure through management of maturity profile, currency mix and choice of fixed or floating interest rates. The interest rate risk was managed and monitored regularly by senior management of the Group.

24. Financial Risk Management Objectives and Policies (Continued)

(d) *Foreign currency risk*

Foreign currency risk was the risk to earnings or capital arising from movements of foreign exchange rates. The Group's foreign currency risk primarily arose from currency exposures originating from its banking activities, foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly to minimise foreign currency risk. When appropriate hedging instruments including forward contracts, swap and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk was managed and monitored on an on-going basis by senior management of the Group.

(e) *Equity price risk*

Equity price risk is the risk that the fair value of financial assets decrease as a result of changes in the levels of equity indices and the value of individual financial assets. The Group is exposed to equity price risk arising from individual financial assets classified as available-for-sale financial assets (Note 9) and financial assets at fair value through profit or loss (Note 12) as at the balance sheet date. The Group's listed financial assets are mainly listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the balance sheet date.

The Group use Value at Risk (the "VaR") model to assess possible changes in the market value of the investment portfolio based on historical data. The VaR figure are regularly reviewed by senior management of the Group to ensure the loss arising from the changes in the market value of the investment portfolios are capped within an acceptable range.

25. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation. The reclassifications had no impact on the Group's earnings for the six months ended 30th June, 2007.

Supplementary Financial Information

Disclosure Pursuant of Rule 13.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Set out below is a proforma combined balance sheet of the Group's affiliates as at 30th June, 2008 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

	Pro forma combined balance sheet as at 30th June, 2008 HK\$'000	Group's attributable interest as at 30th June, 2008 HK\$'000
Intangible assets	1,057,866	1,057,866
Fixed assets	2,971,594	2,970,254
Investment properties	4,342,773	4,342,773
Properties under development	7,884,844	6,550,679
Interests in associates	3,430,308	3,430,308
Available-for-sale financial assets	630,072	630,072
Debtors, prepayments and deposits	81,263	69,162
Cash and bank balances	1,311,632	1,187,685
Bank and other borrowings	(8,727,084)	(7,858,480)
Creditors, accruals and deposits received	(368,463)	(326,422)
Tax payable	(193,267)	(193,267)
Shareholders' advance	(1,198,872)	(684,156)
Deferred tax liabilities	(843,394)	(843,394)
Other net assets	68,824	58,864
	10,448,096	10,391,944

The Group's attributable interest in the respective assets and liabilities represents that portion attributable to the Group before minority interests included therein.

Management Discussion and Analysis

Hong Kong's economy became challenging in 2008. The global economy is in turbulence in wake of the ballooning sub-prime mortgages loss in US.

The Group's performance was adversely affected by various unfavourable factors in the market. Facing the volatile and gloomy stock market, securities investment and corporate finance and securities broking businesses recorded a substantial decrease of returns during the first half of 2008. Despite the difficult operating environment in the first half of 2008, property investment and development business, being one of the major business streams of the Group, performed well and contributed significant returns to the Group. Meanwhile, the Group continued to strengthen its core businesses and explore investments in overseas markets.

For the six months ended 30th June, 2008, the Group reported a profit attributable to shareholders of HK\$104 million (2007 – HK\$687 million). The higher profit in 2007 was mainly derived from the share of profit of an associate which benefited from the revaluation gain on the investment properties held by this associate.

Results for the period

Turnover for the six months ended 30th June, 2008 totalled HK\$71 million, which was 56 per cent. lower than the HK\$161 million (restated) recorded in the corresponding period of 2007, resulted from adverse impact of the gloomy investment market and lack of properties sale in the period under review.

The Group reported a profit for the period of HK\$102 million (2007 – HK\$688 million). Property investment and development remained as the main contributor.

Property investment and development

The investment properties continued to provide stable rental income to the Group during the period. Turnover derived from this segment amounted to HK\$4 million (2007 – HK\$5 million when the rental income contributed by former subsidiaries of HK\$15 million was excluded).

With the stable price growth in the Macau property market, the Group recorded a total revaluation gain on investment properties of HK\$118 million (2007 – HK\$3 million) during the period. The Group cautiously looks for opportunities to lock up the profit from increase in property values. In January 2008, the Group disposed of its entire interest in a wholly-owned subsidiary, which held the 7th floor of Tower One, Lippo Centre in Hong Kong at a net profit of HK\$7 million. In June 2007, the Group disposed of its entire interest in a joint venture, which held twenty-two strata lots in a commercial building located at 79 Anson Road in Singapore at a net profit of HK\$102 million. Segment result derived from this business amounted to HK\$122 million (2007 – HK\$114 million).

The Group has invested in a property fund, which has interests in Overseas Union Enterprise Limited ("OUE"), a listed company in Singapore principally engaged in hotel operations and property investment and development. The hotels managed by OUE are strategically located in various famous tourist districts of Singapore, Malaysia and China. OUE also holds a number

of prime office buildings in central financial and business districts of Singapore. Meanwhile, OUE has recently participated in certain new property development and investment projects, which include the redevelopment projects at Collyer Quay, Angullia Park and Leonie Hill Road, Singapore. The Group registered a share of profit of HK\$13 million (2007 – HK\$491 million) from the investment. The drop was mainly attributable to the lower rental income from the vacancy of certain properties for the redevelopment projects mentioned above and the absence of revaluation on investment properties in 2008.

Additionally, the Group has participated in various well-located property development projects in Singapore, Thailand and Japan.

Treasury and securities investments

Entering 2008, problems brought on by sub-prime mortgages spread over the global market. The Group responded to the uncertain outlook and took a prudent stance by reducing equity exposure further and raised cash in portfolios. Treasury and securities investments business registered a loss of HK\$17 million (2007 – gain of HK\$33 million) during the period.

Foreseeing the current macroeconomic factors would continue to cast a cloudy outlook over the general economic and business conditions for an extended period, the Group remained cautious on the composition of its investment portfolio with continuing focus on improving overall asset quality.

Corporate finance and securities broking

Hong Kong capital market was affected by the global market slowdown in 2008 and initial public offerings activities in local stock market almost came to a halt. The corporate finance and securities broking business was undermined by the continuous downfall of the markets, its results were under severe pressure, registering a decrease in turnover of HK\$26 million to HK\$41 million (2007 – HK\$67 million). Profit derived from this segment reduced to HK\$11 million (2007 – HK\$13 million).

Banking business

Affected by the credit market crisis and financial market volatility, the growth in the banking business was softened in the first half of 2008. In spite of the intense competition condition, credit quality overall remained sound for the period. Management continued to lend conservatively and strived to improve asset quality. Turnover and profit derived from the banking segment amounted to HK\$9 million (2007 – HK\$15 million) and HK\$2 million (2007 – HK\$4 million) respectively.

Other businesses

With the Singapore property market remained a steady growth, the Group registered income by participating in certain property projects management in Singapore. Revenue of HK\$16 million (2007 – HK\$40 million) was generated in the current period.

Financial position

During the period, the Group successfully completed a rights issue in June 2008. This fund raising exercise generated approximately HK\$464 million of net proceeds after expenses, which helped to strengthen the Group's financial position and to provide necessary capital to enhance its competitiveness.

As at 30th June, 2008, the Group's total assets increased to HK\$7.3 billion (31st December, 2007 – HK\$6.6 billion). Property-related assets slightly increased to HK\$4.6 billion (31st December, 2007 – HK\$4.4 billion), representing 63 per cent. (31st December, 2007 – 66 per cent.) of the total assets. On the other hand, the investment portfolio of the Group reduced to HK\$458 million (31st December, 2007 – HK\$538 million), comprising debt and equity securities of HK\$77 million (31st December, 2007 – HK\$108 million) and investment funds of HK\$381 million (31st December, 2007 – HK\$430 million). The investment portfolio represented 6 per cent. (31st December, 2007 – 8 per cent.) of the Group's total assets.

Various property projects have been financed by proceeds derived from sales of certain investments and bank loans and other borrowings. Total liabilities remained at HK\$1.9 billion (31st December, 2007 – HK\$1.9 billion). The Group's financial position remained healthy and current ratio (measured as current assets to current liabilities) stood at 1.3 to 1 (31st December, 2007 – 1.2 to 1).

As at 30th June, 2008, the bank and other borrowings of the Group (other than those attributable to banking business) decreased to HK\$717 million (31st December, 2007 – HK\$814 million). As at 30th June, 2008, total bank loans amounted to HK\$213 million (31st December, 2007 – HK\$288 million), comprising secured bank loans of HK\$200 million (31st December, 2007 – HK\$266 million) and unsecured bank loans of HK\$13 million (31st December, 2007 – HK\$22 million), which were denominated in Hong Kong dollars, United States dollars or Renminbi (31st December, 2007 – denominated in Hong Kong dollars, United States dollars or Renminbi). The bank loans were secured by first legal mortgages over certain investment properties and certain securities of the Group. The bank loans carried interest at floating rates and 94 per cent. of the bank loans (31st December, 2007 – 96 per cent.) were repayable within one year. The Group's other borrowings as at 30th June, 2008 comprised of unsecured loans advanced from Lippo Limited ("Lippo") and a third party of HK\$192 million (31st December, 2007 – HK\$214 million) and HK\$312 million (31st December, 2007 – HK\$312 million) respectively. The advance from Lippo is repayable on or before 30th June, 2009, while the third party's advance is repayable on or before 26th June, 2009. At the end of the period, gearing ratio (measured as bank and other borrowings, net of minority interests, to shareholders' funds) decreased to 13 per cent. (31st December, 2007 – 17 per cent.).

During the period, the Company declared the 2007 final distribution of HK\$0.05 per share to its shareholders, amounting in a total of HK\$67 million. The net asset value of the Group remained strong and increased to HK\$5.4 billion (31st December, 2007 – HK\$4.7 billion). This was equivalent to HK\$3.0 per share (31st December, 2007 – HK\$3.5 per share). The decrease was due to the issue of right shares at a discount to the net asset value taken place during the period.

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swap and currency loans would be used to manage the foreign exchange exposure.

Apart from the abovementioned, there were no charges on the Group's assets at the end of the period (31st December, 2007 – Nil). Aside from those arising from the normal course of the Group's banking operation, the Group had no material contingent liabilities outstanding (31st December, 2007 – Nil).

As at 30th June, 2008, the total capital commitment of the Group decreased to HK\$0.1 billion (31st December, 2007 – HK\$0.4 billion). The investments or capital assets will be financed by the Group's internal resources and/or external banking financing, as appropriate.

Staff and remuneration

The Group had approximately 207 employees as at 30th June, 2008 (2007 – 179 employees). Total staff costs (including directors' emoluments) during the period amounted to HK\$41 million (2007 – HK\$39 million). The Group ensures that its employees are offered competitive remuneration packages. Certain employees of the Group were granted options under the share options scheme of the Company.

Outlook

The global credit market conditions continued to deteriorate in the first six months of 2008. The business environment was affected by the adverse impact of the sub-prime crisis. Global inflation posed a particular challenge. Global economic growth is slowing. Nevertheless, the Group is cautiously optimistic about the regional economic prospects in long run and will continue to focus on developments in Asia Pacific region. Amid the tentative and fragile operating environment, the Group will continue to improve internal operational efficiencies and seek new investment opportunities with long-term growth potential. Given its own strong financial position, the Group is well positioned to take advantage of any good business opportunities to enhance its shareholders value.

Business Review and Prospects

Rights Issue

The first half of 2008 saw another milestone being accomplished by the Company in the enhancement and strengthening of its capital base. The Company successfully launched a rights issue in June 2008 which resulted in approximately HK\$464 million of net proceeds being raised. The rights issue was of 471,390,178 rights shares at HK\$1.00 each in the proportion of seven rights shares for every twenty shares held, with bonus warrants granted on the basis of three warrants for every seven rights shares successfully applied. The rights shares and the bonus warrants were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 4th July, 2008.

Business Review

2008 began with clear signals that the slowdown in the US economy triggered by the US sub-prime mortgage crisis and the flow on effects onto the global financial markets have begun to affect the regional Asian economy. The various natural disasters in China in the first half of 2008 and the weak stock markets in Hong Kong and China further dampened the economic environment and market confidence in Hong Kong and China. The property markets in Hong Kong, China and the neighbouring South East Asian countries, which saw surging prices in last year, faltered onto a softer note.

Despite this increasingly challenging and volatile market environment, the Group was able to produce stable 2008 interim results. The Group recorded an unaudited consolidated profit attributable to shareholders of approximately HK\$104 million for the six months ended 30th June, 2008, as compared to a profit of HK\$687 million in the corresponding period of 2007. It should be noted that the higher interim profit in

2007 was mainly derived from the share of profit of an associate which benefited from the revaluation gain on the various investment properties held under this associate.

During the period, the Group continued to strengthen and consolidate its core businesses of property investment and development and seek new businesses and investment opportunities which are compatible with its long-term growth strategy.

In January 2008, the Group completed the disposal of its entire 100 per cent. interest in a company which owns the entire 7th Floor of Tower One, Lippo Centre, Hong Kong. The property was



The Holland Collection,
property development project in Singapore



Marina Collection,
property development project at Sentosa Cove, Sentosa Island, Singapore

Business Review and Prospects (Continued)

acquired by the Group in December 2004 and apart from the rental income earned, this property investment has contributed a total profit of approximately HK\$33.8 million to the Group in the past years.

Though there are signs that the property market in Singapore has consolidated and softened in the last few months, the Group is optimistic that the various property projects in which it has been participating in the last two years in Singapore will yield good economic returns in the coming years.

The Group participated in a joint venture which acquired and will develop the site located at 53 Holland Road, Singapore (the "Holland Road Property", formerly referred to as the "Aura Park Property") with a site area of approximately 36,339 square feet. The plan is to develop the Holland Road Property, to be named as "The Holland Collection", into a luxury residential development with completion expected to be in the first quarter of 2011. As at 30th June, 2008, the Group has approximately a 27.5 per cent. effective interest in the joint venture.

The Group also has a 50 per cent. interest in a joint venture established to acquire and develop the property located at Sentosa Cove, Sentosa Island, Singapore (the "Sentosa Cove Property"). The Sentosa Cove Property comprises two parcels of land with total site area of approximately 239,200 square feet. A total of one hundred and twenty four high-end luxury residential units, with a total saleable area of approximately 320,860 square feet, will be developed on the Sentosa Cove Property with completion expected to be in the fourth quarter of 2011. Now named "Marina

Collection", the pre-sale of the residential units was launched before the end of 2007 and the response has been encouraging.

The Group also has a 50 per cent. interest in a joint venture which acquired and will develop the property located at No. 100, Kim Seng Road, Singapore (the "Kim Seng Property"). The Kim Seng Property which has a site area of approximately 60,393 square feet will be re-developed into a luxury residential development (to be named as "Centennia Suites") with expected completion to be in the fourth quarter of 2012.



New Mandarin Gallery,
an OUE property project in Singapore



Overseas Union House,
an OUE property development project in Singapore

Lippo ASM Asia Property LP (“LAAP”) of which a wholly-owned subsidiary of the Company is the founding limited partner, is a property fund set up in 2005 with the investment objective of investing in real estate in the East Asia Region. LAAP has an indirect ownership interest in Golden Concord Asia Limited which is the majority shareholder of a joint venture which in turn is a majority shareholder in Overseas Union Enterprise Limited (“OUE”), a listed company in Singapore principally engaged in property investments and development and hotel operations. OUE has interests in prime office buildings in the Central Business District in Singapore as well as hotels in the Asia region, including Meritus Mandarin in Singapore. These high quality properties generate good, stable and recurring rental income for OUE. The strong pick-up in the tourism sector and the spin-offs from the award of casino licences are expected to generate substantial demand for quality office, retail, hotel and residential properties in Singapore.

The Group also participated in a number of property projects in China, including Lippo Tower in Chengdu and the development project (the “BDA Project”) at a prime site located in 北京經濟技術開發區 (Beijing Economic-Technological Development Area) (“BDA”) in which the Group has about 85.7 per cent interest.

The BDA Project is located in the State-level economic-technological development area in Beijing which is approximately ten miles south east of Beijing city centre and is the only State-level economic technological development in the capital of China. A number of Fortune 500 companies and multinational corporations have presence in the

neighbourhood. The BDA Project is in the planning approval stage and construction is expected to commence in the first half of next year. With a total site area of approximately 51,209 square metres, it is currently planned to comprise office buildings, apartments and shopping malls, with a total gross floor area of about 270,000 square metres including basement and about 170,000 square metres above ground. It is the intention of the Group to acquire the remaining 14.3 per cent. interest in the BDA Project. With continuing growth in purchasing power and improvement in living standards, the Group is optimistic about property market prospects in China.



Property development project at 北京經濟技術開發區 (Beijing Economic-Technological Development Area), China



Lippo Tower in Chengdu, China

The Macau Chinese Bank Limited (“MCB”), a wholly-owned subsidiary of the Company, continued to be a net income contributor to the Group. The Macau economy remained stable in the first half of 2008 and MCB has maintained steady results in its businesses. As announced previously, a conditional sale and purchase agreement was entered into on 28th September, 2007 (the “SPA”) for the sale of 60 per cent. of the Group’s beneficial interest in MCB to an independent third party. However, certain conditions precedent set out in the SPA regarding local regulatory approvals for the prospective buyer could not be obtained by the extended long stop date and as a result, the SPA lapsed in February 2008. The Group will continue to seek strategic partners and business opportunities for MCB so as to enhance its competitiveness in the Macau banking sector.

The weak local stock market saw much reduced market turnovers and little public offering activities in the first half of 2008. This has affected the performance and profitability of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. The performance of the local stock market in the remainder of the year will depend much on the global market environment and the performance of the stock markets in China.

Prospects

Looking ahead, the international operating environment will remain challenging for some time. Global economy will continue to be overshadowed by the US economic slowdown, persisting high oil prices and strengthening inflationary pressures. This will cast a dim on the economic and business prospects for Hong Kong and the surrounding Asian countries. However, the statistics suggest that China is still broadly on track in maintaining solid economic growth. With this as a backstop and assisted by the relatively low interest rate and unemployment rate environment, the local Hong Kong economy is expected to be relatively less affected.

The Company, being the principal property arm of the Lippo Group, will continue to focus on property investment and development businesses. Management remains optimistic about the overall outlook for the Group. The Group is in a strong and stable financial position which makes it well placed to be able to continue to explore suitable investment opportunities, particularly in the property markets in China and the Asia region. Management will however continue to adopt a cautious and prudent approach in its assessment of new investment opportunities.

Additional Information

Rights Issue

On 27th June, 2008, the Company allotted and issued 471,390,178 new ordinary shares of HK\$1.00 each and 202,024,362 warrants of the Company with an aggregate subscription value of HK\$252,530,452.50 (the "Warrants") by way of rights issue (the "Rights Issue") in the proportion of seven rights shares for every twenty shares held (with bonus warrants on the basis of three warrants for every seven rights shares taken up) at HK\$1.00 per rights share to the qualifying shareholders whose names appear on the Register of Members of the Company on 5th June, 2008. The holders of the Warrants are entitled to subscribe for up to 202,024,362 ordinary shares of HK\$1.00 each in the Company at a subscription price of HK\$1.25 per share (subject to adjustment) upon exercise of the Warrants. The net proceeds from the Rights Issue of approximately HK\$464 million was applied for enhancing and strengthening the capital base and for general working capital of the Company.

Interim Distribution

The Directors have resolved to declare the payment of an interim distribution of HK1.75 cents (2007 – HK1.75 cents) per share, amounting to approximately HK\$31,819,000 for the six months ended 30th June, 2008, which will be paid on Tuesday, 21st October, 2008 to the shareholders whose names appear on the Company's Register of Members on Friday, 10th October, 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 6th October, 2008 to Friday, 10th October, 2008 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim distribution for the six months ended 30th June, 2008, all transfer forms accompanied by the relevant share certificates or in the case of warrant holders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged with Tricor Tengis Limited, the Company's Hong Kong Branch Share Registrars and Warrant Registrars, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 3rd October, 2008. Warrants in respect of the interim distribution will be dispatched to the shareholders on or about Tuesday, 21st October, 2008.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 30th June, 2008, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code") were as follows:

Additional Information (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations

(a) The Company

Name of Director	Number of ordinary shares of HK\$1.00 each in the Company			Number of underlying ordinary shares of HK\$1.00 each in the Company				Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests		
				Options [^]	Warrants ⁺	Warrants ⁺	Warrants ⁺		
Mochtar Riady	-	-	941,380,978 <i>Note (i)</i>	-	-	-	106,765,641 <i>Note (i)</i>	1,048,146,619	57.65
Stephen Riady	-	-	941,380,978 <i>Note (i)</i>	-	-	-	106,765,641 <i>Note (i)</i>	1,048,146,619	57.65
John Lee Luen Wai	270	270	-	4,590,000	30	30	-	4,590,600	0.25
Leon Chan Nim Leung	-	-	-	810,000	-	-	-	810,000	0.04
Tsui King Fai	-	67,500	-	607,500	-	7,500	-	682,500	0.04
Albert Saychuan Cheok	-	-	-	607,500	-	-	-	607,500	0.03
Kor Kee Yee	-	-	-	607,500	-	-	-	607,500	0.03
Victor Yung Ha Kuk	-	-	-	607,500	-	-	-	607,500	0.03

[^] The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by the Company (the "Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Share Option Scheme to subscribe for ordinary shares of HK\$1.00 each in the Company at an initial exercise price of HK\$1.68 per share (subject to adjustment). Pursuant to the rights issue of new shares of the Company in June 2008 on the basis of seven rights shares for every twenty shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$1.68 per share to HK\$1.24 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the period. Further details of the interests of Directors in the options are disclosed in Note 18 to the interim financial statements.

⁺ The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK\$1.00 each in the Company at a subscription price of HK\$1.25 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).

Additional Information (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations (Continued)

(b) Lippo Limited ("Lippo")

Name of Director	Number of ordinary shares of HK\$0.10 each in Lippo		Number of underlying ordinary shares of HK\$0.10 each in Lippo			Approximate percentage of total interests in the issued share capital	
	Personal interests (held as beneficial owner)	Other interests	Options*	Warrants [®]	Warrants [®]		
Mochtar Riady	-	319,322,219	-	-	35,312,240	354,634,459	65.41
		<i>Notes (i) and (ii)</i>			<i>Notes (i) and (ii)</i>		
Stephen Riady	-	319,322,219	-	-	35,312,240	354,634,459	65.41
		<i>Notes (i) and (ii)</i>			<i>Notes (i) and (ii)</i>		
John Lee Luen Wai	1,031,250	-	1,125,000	103,125	-	2,259,375	0.42
Leon Chan Nim Leung	-	-	193,750	-	-	193,750	0.04
Victor Yung Ha Kuk	-	-	162,500	-	-	162,500	0.03
Tsui King Fai	-	-	162,500	-	-	162,500	0.03

* The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by Lippo (the "Lippo Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the Lippo Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in Lippo at an initial exercise price of HK\$6.98 per share (subject to adjustment). Pursuant to the rights issue of new shares of Lippo (the "Lippo Rights Issue") in June 2008 on the basis of one rights share for every four shares held, the number of ordinary shares to be subscribed for subject to the options was increased and the exercise price was adjusted from HK\$6.98 per share to HK\$5.58 per share (subject to adjustment) with effect from 27th June, 2008. None of the options were exercised by any of the above Directors during the period. Further details of the Directors' interests in underlying shares in respect of the options are disclosed in Note (v) below.

® The holders of the warrants of Lippo are entitled to subscribe for ordinary shares of HK\$0.10 each in Lippo at a subscription price of HK\$4.70 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).

Additional Information (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations (Continued)

(c) *Lippo China Resources Limited ("LCR")*

Name of Director	Number of ordinary shares of HK\$0.10 each in LCR	Number of underlying ordinary shares of HK\$0.10 each in LCR	Personal interests (held as beneficial owner)		Approximate percentage of total interests in the issued share capital
			Options [#]	Total interests	
Mochtar Riady	6,544,696,389	–	–	6,544,696,389	71.13
	<i>Notes (i), (ii) and (iii)</i>				
Stephen Riady	6,544,696,389	–	–	6,544,696,389	71.13
	<i>Notes (i), (ii) and (iii)</i>				
John Lee Luen Wai	–	22,000,000	–	22,000,000	0.24
Leon Chan Nim Leung	–	3,000,000	–	3,000,000	0.03
Victor Yung Ha Kuk	–	2,300,000	–	2,300,000	0.02
Tsui King Fai	–	2,300,000	–	2,300,000	0.02

[#] The options were granted on 17th December, 2007 without consideration under the share option scheme adopted by LCR (the "LCR Share Option Scheme"). The above options could not be exercised from the date of grant to 16th June, 2008. Such options are exercisable from 17th June, 2008 to 16th December, 2012 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.267 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the period and the number of underlying ordinary shares of HK\$0.10 each in LCR in respect of which options have been granted to them as at 1st January, 2008 and 30th June, 2008 were the same as set out above.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations

(Continued)

Note:

- (i) As at 30th June, 2008, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 941,380,978 ordinary shares and HK\$133,457,051.25 warrants giving rise to an interest in 106,765,641 underlying ordinary shares of the Company, totalling 1,048,146,619 ordinary shares and underlying ordinary shares of HK\$1.00 each in, representing approximately 57.65 per cent. of the issued share capital of, the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, is the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius is accustomed to act. Dr. Mochtar Riady does not have any interests in the share capital of Lanius. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. Stephen Riady and their respective family members including, inter alia, the minor child of Mr. Stephen Riady. Dr. Mochtar Riady as the founder and beneficiary of the trust and Mr. Stephen Riady (together with his minor child) as beneficiaries of the trust are taken to be interested in Lippo Cayman under the SFO.
- (ii) As at 30th June, 2008, Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, and its subsidiary, Lippo Securities Limited ("Lippo Securities"), was directly and indirectly interested in an aggregate of 319,322,219 ordinary shares and HK\$165,967,528 warrants giving rise to an interest in 35,312,240 underlying ordinary shares of Lippo, totalling 354,634,459 ordinary shares and underlying ordinary shares of HK\$0.10 each in, representing approximately 65.41 per cent. of the issued share capital of, Lippo. Lippo Securities is a wholly-owned subsidiary of the Company which in turn is a 51.77 per cent. subsidiary of Lippo.
- (iii) As at 30th June, 2008, Lippo was indirectly interested in 6,544,696,389 ordinary shares of HK\$0.10 each in, representing approximately 71.13 per cent. of the issued share capital of, LCR.
- (iv) The percentages of the issued share capital stated in this section were arrived based on the issued share capital of each of the Company, Lippo and LCR (as the case may be) as at 30th June, 2008.

Additional Information (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations

(Continued)

Note: (Continued)

- (v) The movement of underlying shares in respect of the options granted to the Directors under the Lippo Share Option Scheme during the period were as follows:

Name of Director	Adjusted exercise price per share* HK\$	Number of underlying ordinary shares of HK\$0.10 each in Lippo in respect of which options have been granted		
		Balance as at 1st January, 2008	Adjustment during the period*	Balance as at 30th June, 2008
John Lee Luen Wai	5.58	900,000	225,000	1,125,000
Leon Chan Nim Leung	5.58	155,000	38,750	193,750
Victor Yung Ha Kuk	5.58	130,000	32,500	162,500
Tsui King Fai	5.58	130,000	32,500	162,500

* adjustments due to the Lippo Rights Issue

The above interests in the underlying shares of the Company and its associated corporations in respect of options were held pursuant to unlisted physically settled equity derivatives.

The above interests in the underlying shares of the Company and its associated corporations in respect of warrants were held pursuant to listed physically settled equity derivatives.

Additional Information (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations (Continued)

As at 30th June, 2008, Dr. Mochtar Riady, as founder and beneficiary of the aforesaid discretionary trust, and Mr. Stephen Riady (together with his minor child), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note (i) above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Limited	Ordinary shares	3,669,576,788 (Note a)	72.45
Actfield Limited	Ordinary shares	1	100
Boudry Limited	Ordinary shares	1,000	100
Congrad Holdings Limited	Ordinary shares	1	100
CRC China Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 (Note b)	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Grandform Limited	Ordinary shares	1	100
Grandhill Asia Limited	Ordinary shares	1	100
Greenroot Limited	Ordinary shares	1	100
Hennessy Holdings Limited	Ordinary shares	1 (Note c)	100
HKCL Holdings Limited	Ordinary shares	50,000	100
Honix Holdings Limited	Ordinary shares	1	100
Huge Returns Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100

Additional Information (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations (Continued)

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Energy Holding Limited	Ordinary shares	1	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Holdings Inc.	Ordinary shares	1	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Lippo Strategic Holdings Inc.	Ordinary shares	1	100
Lippo World Holdings Limited	Ordinary shares	1	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Pointbest Limited	Ordinary shares	1	100
Prime Success Limited	Ordinary shares	1	100
		(Note d)	
SCR Ltd.	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10	100
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
Times Grand Limited	Ordinary shares	1	100
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100
Welux Limited	Ordinary shares	1	100

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations (Continued)

Interests in shares and underlying shares of the Company and associated corporations (Continued)

Note:

- a. The interests included 219,600,000 ordinary shares held by Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30 per cent. interest.
- b. The interests were held by HCB General, a 70 per cent. subsidiary of Lippo Cayman.
- c. The interest was held through Lippo, a 58.9 per cent. subsidiary of Lippo Cayman.
- d. The interest was held by Lippo, a 58.9 per cent. subsidiary of Lippo Cayman.

As at 30th June, 2008, Mr. Stephen Riady, as beneficial owner and through his nominee, was interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of, the issued share capital of Lanius which is the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and beneficiary. The beneficiaries of the trust also include, inter alia, Mr. Stephen Riady and his minor child. Dr. Mochtar Riady does not have any interests in the share capital of Lanius but the shareholders of Lanius are accustomed to act in accordance with his instructions.

As at 30th June, 2008, Mr. John Lee Luen Wai, as beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of, the issued share capital of AcrossAsia Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 30th June, 2008, Mr. Kor Kee Yee, as beneficial owner, was interested in 2,444,000 ordinary shares of HK\$1.00 each in, representing approximately 9.29 per cent. of, the issued share capital of TechnoSolve Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

As at 30th June, 2008, save as disclosed herein, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Additional Information *(Continued)*

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations *(Continued)*

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2008, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, as at 30th June, 2008, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted), were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

As at 30th June, 2008, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and/or as notified to the Company as follows:

Additional Information (Continued)

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance (Continued)

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares and underlying shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Number of underlying ordinary shares of HK\$1.00 each	Total interests	Approximate percentage of total interests in the issued share capital
		Warrants (Note 8)		
<i>Substantial shareholders:</i>				
Hennessy Holdings Limited (“Hennessy”)	941,380,978	106,765,641	1,048,146,619	57.65
Prime Success Limited (“Prime Success”)	941,380,978	106,765,641	1,048,146,619	57.65
Lippo Limited (“Lippo”)	941,380,978	106,765,641	1,048,146,619	57.65
Lippo Cayman Limited (“Lippo Cayman”)	941,380,978	106,765,641	1,048,146,619	57.65
Lanius Limited (“Lanius”)	941,380,978	106,765,641	1,048,146,619	57.65
Madam Lidya Suryawaty	941,380,978	106,765,641	1,048,146,619	57.65
<i>Other persons:</i>				
Farallon Capital Management, L.L.C. (“Farallon”)	144,135,902	18,371,478	162,507,380	8.94
Noonday Asset Management, L.P. (“Noonday Asset”)	144,135,902	18,371,478	162,507,380	8.94
Noonday Capital, L.L.C. (“Noonday Capital”)	144,135,902	18,371,478	162,507,380	8.94
Noonday G.P. (U.S.), L.L.C. (“Noonday G.P.”)	144,135,902	18,371,478	162,507,380	8.94

Note:

- Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 941,380,978 ordinary shares and HK\$133,456,080 warrants giving rise to an interest in 106,764,864 underlying ordinary shares of the Company, and through Lippo Securities Limited, a wholly-owned subsidiary of the Company, was indirectly interested in HK\$971.25 warrants giving rise to an interest in 777 underlying ordinary shares of the Company, totalling 1,048,146,619 ordinary shares and underlying ordinary shares of HK\$1.00 each in, representing approximately 57.65 per cent. of the issued share capital of, the Company.
- Hennessy is wholly owned by Prime Success which in turn is wholly owned by Lippo.

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance (Continued)

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in shares and underlying shares of the Company (Continued)

Note: (Continued)

3. Lippo Cayman is the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which is Lippo Capital Limited which directly holds ordinary shares representing approximately 50.47 per cent. of the issued share capital of Lippo.
4. Lanius is the registered shareholder of the entire issued share capital of Lippo Cayman and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in the issued share capital of Lanius.
5. Hennessy's interests in the ordinary shares and underlying ordinary shares of the Company were recorded as the interests of Prime Success, Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 1,048,146,619 ordinary shares and underlying ordinary shares in the Company related to the same block of shares and underlying shares that Dr. Mochtar Riady and Mr. Stephen Riady were interested, details of which are disclosed in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations".
6. Farallon, through the entities and accounts managed by it as investment adviser, namely Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital Offshore Investors, Inc., Farallon Capital Offshore Investors II, L.P., Noonday Capital Partners, L.L.C. and Noonday Offshore, Inc., was indirectly interested in an aggregate of 144,135,902 ordinary shares and HK\$22,964,347.50 warrants giving rise to an interest in 18,371,478 underlying ordinary shares of the Company, totalling 162,507,380 ordinary shares and underlying ordinary shares of HK\$1.00 each in, representing approximately 8.94 per cent. of the issued share capital of, the Company. Noonday Asset, Noonday Capital and Noonday G.P. as subinvestment advisers to each of the aforementioned entities and accounts managed by Farallon, each has an indirect interest in the above 162,507,380 ordinary shares and underlying ordinary shares of the Company.
7. The percentages of the issued share capital stated in this section were arrived based on 1,818,219,272 ordinary shares of HK\$1.00 each in issue of the Company as at 30th June, 2008.
8. The holders of the warrants of the Company are entitled to subscribe for ordinary shares of HK\$1.00 each in the Company at a subscription price of HK\$1.25 per share (subject to adjustment) during the period from 4th July, 2008 to 4th July, 2011 (both dates inclusive).
9. The above interests in the underlying shares of the Company in respect of warrants were held pursuant to listed physically settled equity derivatives.

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2008, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than the Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

Details of the share option scheme of the Company are disclosed in Note 18 to the interim financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30th June, 2008, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Audit Committee

The Company has established an audit committee (the "Committee"). The existing members of the Committee comprise three independent non-executive Directors, namely Mr. Victor Yung Ha Kuk (Chairman), Mr. Albert Saychuan Cheok and Mr. Tsui King Fai and one non-executive Director, Mr. Leon Chan Nim Leung. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Company for the six months ended 30th June, 2008.

Code on Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance practices. The Company's Board of Directors (the "Board") believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure they meet public and shareholders' expectation, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance.

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 30th June, 2008 except for the deviation from code provision E.1.2 which stipulates that the chairman of the board of a listed issuer should attend the annual general meeting of that issuer. As Dr. Mochtar Riady, the Chairman of the Board (the "Chairman"), was in overseas for other business commitment, he was unable to attend the annual general meeting of the Company held on 5th June, 2008. To comply with the Code, the Chairman will use his best endeavours to attend future annual general meetings of the Company.

Additional Information *(Continued)*

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code for securities transactions by Directors. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code during the period under review.

By Order of the Board
HONGKONG CHINESE LIMITED
John Lee Luen Wai
Director

Hong Kong, 17th September, 2008

Corporate Information

Board of Directors

Non-executive Directors

Dr. Mochtar Riady (*Chairman*)
Mr. Leon Chan Nim Leung

Executive Directors

Mr. Stephen Riady (*Chief Executive Officer*)
Mr. John Lee Luen Wai, *J.P.*
Mr. Kor Kee Yee

Independent non-executive Directors

Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

Committees

Audit Committee

Mr. Victor Yung Ha Kuk (*Chairman*)
Mr. Leon Chan Nim Leung
Mr. Albert Saychuan Cheok
Mr. Tsui King Fai

Nomination Committee

Mr. Leon Chan Nim Leung (*Chairman*)
Mr. Stephen Riady
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

Remuneration Committee

Mr. Leon Chan Nim Leung (*Chairman*)
Mr. Stephen Riady
Mr. Albert Saychuan Cheok
Mr. Victor Yung Ha Kuk
Mr. Tsui King Fai

Secretary

Mr. Andrew Hau Tat Kwong

Qualified Accountant

Mr. Ng Tai Chiu

Auditors

Ernst & Young

Principal Bankers

CITIC Ka Wah Bank Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
Wing Hang Bank, Ltd.
Standard Chartered Bank
United Overseas Bank Limited
Bank of China Limited
The Bank of East Asia, Limited
Raiffeisen Zentralbank Österreich AG

Solicitors

Richards Butler

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Hamilton
Bermuda

Hong Kong Branch Share Registrars, Warrant Registrars and Transfer Office

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

24th Floor, Tower One
Lippo Centre, 89 Queensway
Hong Kong

Stock Codes

Shares – 655
Warrants – 561

Website

www.hkchinese.com.hk